

Opening Statement of Chairman Fred Upton
Subcommittee on Health
Hearing on Medicare Physician Payment
Thursday, May 5, 2011
(Remarks Prepared for Delivery)

The opening paragraph of the original 1965 Medicare legislation promised that the federal government would not interfere in the practice of medicine. This promise extended to government control over the administration of and compensation for medical services.

Today, the federal government, through the Medicare program, sets irrational spending targets and administers the prices for more than 7,000 physician services. This is a long way from that original promise.

In spite of this government interference and micromanagement, spending in Medicare has continued to grow at a rate that threatens to make the program financially insolvent. In 2009, fee-for-service (FFS) Medicare spent about \$64 billion dollars on physician and other health professional services, accounting for 13 percent of total Medicare spending and 20 percent of Medicare's FFS spending.

Clearly, something has to change. Although we cannot afford the current rate of spending on physician services, we also know that, if the pending 29.4 percent fee cuts are allowed to go into effect, a large number of doctors will be forced out of Medicare and a large number of Medicare beneficiaries will lose access to care.

We are all well aware of the inadequacies of the Sustainable Growth Rate formula as a payment policy, and we are also aware of the budgetary burden that failing to fix the problem has caused. Unfortunately, given the opportunity, the president decided that this issue—arguably the greatest threat facing the Medicare program, if not the entire health care system—would be left out of his health reform legislation.

Today we have a chance to begin to correct that omission. I thank the witnesses for taking time out of their busy schedules to help us understand how to get to a physician payment system that will not only control spending, but will make sure that what we pay for is of the highest value to the Medicare beneficiary.

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